

STAFF REPORT

Meeting Date: April 16, 2003

TO: LAFCO Commissioners

FROM: Everett Millais, Executive Officer

SUBJECT: City Island Annexations – Policy to Require Annexation of Qualifying Island Areas as a Condition of Changes of Organization/Reorganization

RECOMMENDATION:

Approve the attached resolution adopting a policy to require the annexation of qualifying island areas, pursuant to Government Code Section 56375.3, as a condition of approval for proposals for a change of organization or reorganization of 40 acres or more.

DISCUSSION:

Background:

At the February 19, 2003 meeting the Commission received a presentation about 24 separate islands of unincorporated territory that qualify for annexation to cities under Government Code Section 56375.3. Based on the city that surrounds them, such islands were described as:

Camarillo

- 1 area of approximately 35.62 acres containing 119, primarily residential, parcels located northerly of Las Posas Road along Lantana Street and Gardenia Avenue.

Oxnard

- 1 area of approximately 16.85 acres containing 1 parcel owned by the County of Ventura that is part of the Oxnard Airport runway.

COMMISSIONERS AND STAFF

COUNTY:
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Alternate:
Linda Parks

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Evaristo Barajas
Alternate:
Don Waunch

SPECIAL DISTRICT:
Jack Curtis
Dick Richardson
Alternate:
Ted Grandsen

PUBLIC:
Louis Cunningham, Chair
Alternate:
Kenneth M. Hess

EXECUTIVE OFFICER:
Everett Millais

PLANNER III:
Hollie Brunsky

CLERK:
Debbie Schubert

LEGAL COUNSEL:
Noel Klebaum

San Buenaventura

- 8 separate areas with a total of approximately 55.54 acres containing 254 parcels located in the Montalvo area north of U.S. 101 at Victoria Avenue primarily. This area is primarily residential but also has some commercial uses.

Santa Paula

- 3 separate areas with a total of approximately 6.66 acres containing 34, primarily residential, parcels located southerly of Telegraph Road, westerly of Peck Road along or near Felkins Road and Lindsay Lane.

Simi Valley

- 1 area of approximately 13.18 acres containing 15 residential parcels located along Vista Lago Drive.
- 2 separate areas with a total of approximately 49.49 acres containing 85 residential parcels located northerly of Avenida Simi and easterly of Anderson Drive and along or near Reservoir Drive.
- 2 separate areas with a total of approximately 54.51 acres containing 40 residential parcels located adjacent to Ditch Road or Country Lane.
- 1 area of approximately 39.8 acres containing 123 residential parcels located in the vicinity of Flood Street between Faxton Court and Felix Avenue.

Thousand Oaks

- 5 separate areas with a total of approximately 39.8 acres containing 22 residential parcels located near Lynn Road and Kelly Lane.

The presentation to the Commission in February included the possibility of the adoption of local policies to encourage or require the annexation of these qualifying island areas. Following the presentation, the Commission directed staff to prepare policy language for consideration that would potentially require the annexation of the qualifying island areas as a condition of other annexations based on some type of threshold that would trigger the requirement. The Commission also asked that information be obtained from the County Assessor about possible property tax rate changes that might result from the annexation of these qualifying island areas.

During the presentation on February 19 the Commission was presented with the option of possibly waiving LAFCO application fees and/or offsetting other annexation fees as a means of encouraging the annexation of qualifying unincorporated island areas. While discussed by the Commission, there was no direction to staff to follow-up on this concept. Accordingly, no policies are proposed for this purpose at this time and nothing is contained in the Proposed Budget for FY 2003-04 to offset the costs of any fee waivers or fee payments. Nonetheless, the attached letter was received from the Ojai Valley

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Sanitary District objecting to a waiver of LAFCO fees for the annexation of qualifying unincorporated island areas.

New Local Policy:

The Ventura LAFCO's local policies and procedures are contained in the Commissioner's Handbook. The recommended resolution will amend Division 3 – Changes of Organization and Reorganization, Chapter 2 – Specific Policies, of the Commissioner's Handbook by adding a new Section 3.2.3 containing a new local policy. The recommended policy is set forth in the attachment to the resolution and basically provides that LAFCO will condition any approval of a city change of organization or reorganization involving 40 acres or more in area of non-public land that will be developed as a result of the boundary change, upon the affected city initiating the annexation of all qualifying island areas pursuant to Government Code Section 56375.3.

If the Commission decides to adopt this new local policy it would only apply to the six cities that have island areas that qualify for the expedited annexation process in Section 56375.3. Further, it would only be applicable to those annexations involving 40 acres or more of privately owned area that would be developed upon annexation. In these limited instances, any approval resolution would contain a condition that the change of organization/reorganization would not become effective until and unless the affected city adopted a resolution initiating the annexation of all qualifying island areas and filed the necessary application (and fees) with the Commission. Thus, this policy would be applied case by case as qualifying proposals are considered, and any party could request the Commission to alter or not apply the policy in any given case.

The rationale for recommending a 40 acre threshold for of this possible policy is that 40 acres is the minimum lot size for properties designated agriculture and open space by the County zoning ordinance and is generally accepted as the minimum area necessary for commercial agricultural operations by the County Agricultural Commissioner. Changes of organization/reorganization for cities of areas of 40 acres or more are typically for the provision of services to larger sized developments and would potentially allow for the cities to include island annexations in the CEQA reviews of such projects and to offset costs for pre-zoning, notices and other work necessary to comply with Section 56375.3. Such a threshold, however, may mean that not all qualifying island areas will be required to be annexed before the expedited process set forth in Section 56375.3 expires on January 1, 2007. While some smaller acreage or other type of threshold could be considered, the 40 acre minimum makes it clear that it is the Commission's intent to apply this type of policy only when larger sized projects, involving substantial local review and potentially substantial service extensions, are considered.

Property Tax Rate Changes:

Whenever an area is annexed to a city the tax rate area assigned by the County Assessor is changed to reflect the change in jurisdiction. This does not, however, necessarily mean that the actual property tax rate (the rate charged for each \$100 of assessed valuation) changes. Based on information provided by the Assessor, and depending on the city, the tax rates for most of the qualifying island areas would remain the same, even though the tax rate area will change. In the case of the Oxnard island and the San Buenaventura islands, the tax rates would actually decrease slightly. In no case would the property tax rate increase.

The following table summarizes the tax rate area information provided by the Assessor, and shows the total tax rate for each existing tax rate area and the tax rate area to which the respective island areas would be assigned upon annexation.

Tax Rate Areas & Tax Rate Changes

| City | Existing | | Upon Annexation | |
|------------------|-----------|----------------|-----------------|----------------|
| | Rate Area | Total Tax Rate | Rate Area | Total Tax Rate |
| Camarillo | 75003 | 1.082924 | 07351 | 1.082924 |
| | 75007 | 1.082924 | 07351 | 1.082924 |
| Oxnard | 73002 | 1.266530 | 03257 | 1.207710 |
| San Buenaventura | 91011 | 1.077223 | 05037 | 1.064600 |
| | 91012 | 1.077223 | 05043 | 1.064600 |
| Santa Paula | 55002 | 1.125023 | 04022 | 1.125023 |
| Simi Valley | 84002 | 1.050824 | 09124 | 1.050824 |
| | 84063 | 1.050824 | 09125 | 1.050824 |
| Thousand Oaks | 89007 | 1.050424 | 08525 | 1.050824 |

It is clear that the annexation of the qualifying island areas would not result in any additional property tax for any of the property owners in any of the island areas. It is possible, however, depending on the city and the underlying land uses, that other fees or charges could change as a result of annexation (e.g., water rates – some cities have surcharges for water provided to unincorporated areas, meaning water rates would be reduced upon annexation; or e.g., business license charges – business license charges vary by jurisdiction and by type of business). Also, in all instances zoning authority would change from the County to the respective city. Typically, cities are considered to have more restrictive zoning and/or more stringent zoning enforcement. If the Commission approves the recommended local policy, each of these types of changes could be evaluated case by case as the policy might be implemented.

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**RESOLUTION OF THE VENTURA LOCAL AGENCY
FORMATION COMMISSION ADDING A NEW
SECTION 3.2.3 TO DIVISION 3 CHANGES OF
ORGANIZATION AND REORGANIZATION,
CHAPTER 2 – SPECIFIC POLICIES RELATING TO
ANNEXATION OF UNINCORPORATED ISLANDS
BY CITIES**

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.) requires each Local Agency Formation Commission (LAFCO) to adopt written policies and procedures; and

WHEREAS, the Ventura LAFCO's written policies and procedures are contained in the Commissioner's Handbook that became effective on January 1, 2002, and

WHEREAS, the Commission has the authority to amend the policies and procedures contained in the Commissioner's Handbook based on changes in law, local policies, and operational procedures; and

WHEREAS, California Government Code Section 56375.3 provides for an expedited process for cities to initiate changes of organization and reorganization for islands of unincorporated territory within specified time frames that meet specified criteria, and

WHEREAS, the Commission has heard a presentation by the Executive Officer about the 24 separate unincorporated island areas in Ventura County that qualify for the island annexation process set forth in Government Code Section 56375.3, and

WHEREAS, the State legislature has adopted the objective for LAFCOs to promote orderly boundaries and the efficient delivery of services and

WHEREAS, the continuation of unincorporated island areas is inconsistent with the Commission's legislative mandate, State and local policies that discourage the formation of unincorporated island areas surrounded by cities, and the Guidelines for Orderly Development adopted by the County of Ventura, each of the ten cities in Ventura County and the Ventura LAFCO, and

WHEREAS, the Commission finds it beneficial to affected cities and the public to adopt a local policy to require the change of organization or reorganization of qualifying island areas pursuant to Government Code Section 56375.3 as a condition of larger, unrelated changes of organization or reorganization initiated by affected cities.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Ventura Local Agency Formation Commission hereby:

- (1) Adopts a new policy as Section 3.2.3 to Division 3 Changes of Organization and Reorganization, Chapter 2 – Specific Policies of the Commissioner’s Handbook relating to requiring the annexation of unincorporated island areas by cities pursuant to Government Code Section 56375.3, as shown on Exhibit A.
- (2) Directs the Executive Officer to compile and organize this new policy in the form of replacement pages for the Commissioner’s Handbook and distribute them to interested parties.

This resolution was adopted on April 16, 2003.

AYES:

NOES:

ABSTAINS:

Chair, Ventura Local Agency Formation Commission

Dated: _____

| | | |
|----------------|-----------------------------------|--------------------------|
| <u>Copies:</u> | Ventura County Assessor | City of Camarillo |
| | Ventura County Auditor/Controller | City of Oxnard |
| | Ventura County Elections | City of San Buenaventura |
| | Ventura County Planning | City of Santa Paula |
| | Ventura County Surveyor | City of Simi Valley |
| | | City of Thousand Oaks |

EXHIBIT A

DIVISION 3 – CHANGES OF ORGANIZATION AND REORGANIZATION

CHAPTER 2 – SPECIFIC POLICIES

SECTION 3.2.3 ANNEXATION OF UNINCORPORATED ISLAND AREAS BY CITIES

Any approval of a proposal for a change of organization or reorganization will be conditioned to provide that proceedings will not be completed until and unless a subsequent proposal is filed with LAFCO initiating proceedings for the change of organization or reorganization of all unincorporated island areas that meet the provisions of Government Code Section 56375.3, provided all of the following criteria are applicable:

- i. The approved proposal was initiated by resolution of a city that surrounds or substantially surrounds one or more unincorporated island areas that meet the requirements of Section 56375.3.
- ii. The territory in the approved proposal consists of one or more areas that are each 40 acres or more in area.
- iii. The territory in the approved proposal will not be used exclusively for agriculture or open space purposes after the completion of proceedings.
- iv. The territory in the approved proposal is not owned by a public agency or used for public purposes.



OJAI VALLEY SANITARY DISTRICT

A Public Agency

1072 Tico Road, Ojai, California 93023

(805) 646-5548 • FAX (805) 640-0842

www.ojaisan.org

March 17, 2003

Everett Millais
Executive Director
LAFCO
800 S. Victoria Ave
Ventura, CA 93009

PROPOSED WAIVER OF ANNEXATION FEES

The proposal of LAFCO to waive annexation fees to Cities involved in annexing islands is unfair to Special Districts and possibly to the County and other unaffected cities.

If LAFCO were to waive a series of \$7,000 fees on 6 island annexations, a total of \$42,000 would be waived and would then be collected from the other agencies funding LAFCO. Since the Special Districts fund 1/3 of the LAFCO budget, the Special Districts would be asked to pay \$14,000 more than the true 1/3 of the budget, as would the County. Although the amount is small in comparison to the actual budget amounts, the principle is particularly glaring.

The concept of waiving the fees is purported to support Good Government. Perhaps the County supports this concept and will not object to paying the additional costs but Special Districts, particularly Enterprise Districts, play a different role and do not see any reason for their rate payers, not Tax Payers, to subsidize Cities for these island annexations. Perhaps the cleanup annexations for Special Districts should have the fees waived and spread to the County and Cities in the name of Good Government.

The County and Cities should fund these efforts themselves since the nature of the actions is related to their activities and the Special Districts should not pay for any of it.

William E. Lotts, Chairman
Board of Directors

c. Ventura County Special Districts Association

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